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WORLD COTTON PROSPECTS

(January and February issues)

Summary

Conditions in late February indicate that the world production of all cotton in the 1935-36 season will probably be about 26,000,000 bales of 478 pounds net. This is an increase of 400,000 bales over the estimate released in early January, and it is approximately 2,400,000 bales larger than the 1934-35 crop. The increase of 400,000 bales over the previous estimate is due mainly to prospects for larger crops in India and Russia and to some extent to larger crops in minor producing countries.

The domestic crop for this season is 10,734,000 bales, and foreign production is now estimated at 15,266,000 bales. This is 1,280,000 bales larger than the 1934-35 foreign crop, which, up to the current season, was the largest produced. The present estimate seems to be relatively conservative, especially since the previous production estimates for China and Brazil are being carried unchanged, whereas late reports from the latter country indicate that the earlier estimate was probably considerably too low. Excluding Russia, the estimated foreign production for the present year is 13,016,000 bales as compared with 12,275,000 last year or an increase of about 740,000 bales or 6 percent.

The first estimate of the Bureau of Agricultural Economics of total world acreage for 1935-36 is 76,000,000 acres, as compared with 73,600,000 last year. This is an increase of 3 percent in acreage accompanied by an increase of 10 percent in production. Assuming that the above figures are approximately correct, foreign acreage has increased from 46,613,000 in 1934-35 to 48,669,000 acres in 1935-36, or between 4 and 5 percent.

Cotton mill activity throughout the principal cotton consuming centers of the world continued at a high level during December, January, and the first half of February, and cotton consumption for the 6 months ended January 31, compared favorably with the same period last year. Throughout the world as a whole, the proportion of American cotton being used is considerably larger than last year. Total forwardings of all cotton to the mills of the world from August 1 to February 14 were 11,045,913 bales of 478 pounds this year as compared with 9,706,668 bales in 1934-35, an increase of nearly 14 percent. Forwardings of American cotton increased from 6,538,468 to 7,955,313 bales or more than 21 percent. In the Orient, however, forwardings of American cotton to mills have been less than last year, and, although stocks are low at the present time, the large Indian crop and the probability of a slackening in the rate of expansion in the Japanese industry make it seem likely that the consumption of American cotton will be about the same as it was last year.

Exports of American cotton for the 6 months ended January 31 were approximately 40 percent above those for the same 6 months last year. Exports for January were a little less than 13 percent above those a year ago, in part, at least, reflecting the extremely short supplies of good quality cotton in the hands of the trade. In order to take care of this situation and in order to dispose of government cotton stocks at an advantageous time, the spot stock of the Producer's Pool was reopened to bids on February 13, according to trade reports, and up to February 19 the Pool had sold 85,000 bales of spot cotton.

Exports of Indian cotton for the first 6 months of this year declined slightly as compared with last year. Exports of cotton from Egypt were more than 15 percent above those for the same period last year, and were nearly equal to the record high for the period reached in 1933-34.

Prices

Domestic cotton prices have been relatively stable during the last 2-1/2 months; although they have displayed some tendency to fall. The average price of Middling 7/8 inch cotton in the 10 designated markets for the week ended December 7 was 11.97 cents per pound, and for the week ended February 22, 11.32 cents. The average price for the month of December was 11.70 cents for January 11.62 cents. Following the decision of the Supreme Court relative to the Agricultural Adjustment Act prices declined to 11.26 on January 9, but recovered swiftly and were 11.65 and 11.72 for the weeks ended January 18 and 25 respectively, as compared with 11.71 during the week just preceding the decision. The spread between spot and futures prices increased still further during December and January. The average price at the 10 spot markets of 11.70 cents during December and 11.62 cents during January was 0.89 and 1.35 cents respectively, above October futures at New York during the same months. During November the average difference was 0.71 cents. This wide margin for spot cotton over futures reflects an increased domestic and foreign demand and relatively short supplies of privately held cotton in the United States as compared with trade opinion regarding prospective supplies for next autumn. Prices received by cotton producers declined from 11.6 cents in November to 11.4 in December and to 11.1 in January. Index numbers of prices paid by farmers, including interest and taxes, were 126 during November, December, and January.

Prices of foreign cotton were relatively strong during November, December, and January. The ratio of three types of Indian to two types of American was 81.6 in October, 84.4 in November, 84.1 in December, and 83.1 in January. The ratios for November, December, and January represent the highest relative price for Indian since March 1933. Egyptian Uppers and Brazilian have also strengthened materially during the last 3 months, especially during December and January.

One factor tending to keep the price of Indian relatively strong is the fact that stocks of Indian continue to be relatively low in spite of the large Indian crop. Reported stocks in Bombay on February 28 amounted to 624,000 bales as compared with 739,000 at the same time last year, and in Great Britain stocks of Indian cotton the same date were nearly 40 percent under a year ago.

Stocks and Movements

Supply of American cotton in the United States.- On January 31, the total stock of all cotton in the United States, including both government controlled cotton and private stocks, was approximately 10,700,000 bales, according to the New York Cotton Exchange Service, of which more than 5,000,000 were in the hands of the Government, leaving only about 5,600,000 "free". While both domestic consumption and exports have been higher so far this year than last on the assumption that

domestic consumption and exports during the rest of this year will be about the same as last, only about 1,200,000 bales of "free" cotton will be left at the end of the season. Should consumption and exports continue for the remainder of the season as high relative to a year earlier as in the first half of the season, the supply of privately held cotton would be exhausted. The Government will have an opportunity to dispose of a substantial part of its stocks. It was announced early in February that the manager of the Staple Cotton Cooperative Association had been authorized to receive offers for any part or all of approximately 25,000 bales of long staple cotton held in the 1933 Cotton Producer's Pool. In addition, it was announced that offers would be received from the trade for the purchase of not more than 50,000 bales of pool cotton listed for sale with the American Cotton Cooperative Association. The sales are not to be made below price levels prevailing at the points at which the cotton is located.

The response of the trade to this offer of the Producer's Pool has been very heavy. Up to February 13, the day when the pool stock was reopened, bids had been received for a total of about 247,000 bales, and it is reported that within a few days later further bids had been received, bringing the total amount bid for to over 500,000 bales. Up to Wednesday, February 19 the pool had actually sold approximately 85,000 bales of spot cotton, including long staple as well as short staple. At the end of December the pool held about 628,000 bales of spots. (Bales of 500 pounds gross). During January, it took delivery of 14,000 bales on January futures contracts, making its total holdings of spots at the end of January 642,000 bales. The sales of about 85,000 bales to February 19, left the pool's spot cotton on that date about 557,000 bales. During the same period the pool reduced its holdings of futures from 900,000 to 815,000 bales. Thus since December the pool has reduced its total holdings of spots and futures combined from 1,528,000 to about 1,372,000 bales, a decrease of approximately 156,000 bales. Since the first of last November, the pool has reduced its total holdings of spots and futures by 237,000 bales.

Exports of American cotton.- Exports of raw cotton from the United States in January amounted to 526,000 bales compared with 877,000 bales in December and 466,000 bales in January 1935, according to reports of the Bureau of the Census. Exports for the 6 months, August to January, were 3,986,000 bales compared with 2,865,000 in the corresponding period of 1934-35. Although this season shows an increase of 39 percent over last, it is still more than 21 percent below the average for the same 6-month period during the 10 years 1923-24 to 1932-33. Exports to the United Kingdom and to France have increased by approximately 100 percent as compared with the same period last year and those to Germany were up 147 percent from 196,000 to 484,000 bales. Poland, Canada, Belgium, and the Netherlands have taken increased quantities. Shipments to Japan have been about the same, while those to Italy, China, and Sweden have declined considerably.

Exports of Indian cotton .- Exports of Indian cotton to all countries amounted to 207,000 bales of approximately 478 pounds during December and to 350,000 bales during January, as compared with 198,000 and 297,000 for the same months last year. Exports for the 6 months ended January 31 aggregated 1,152,000 bales or a decline of 3.5 percent from last year but an increase of 37 percent over 1933-34. Exports to the United Kingdom were substantially higher than for either last year or the year before in spite of the fact that exports of American cotton to the United Kingdom were nearly double those for the same period last year. Exports to the Continent of Europe were up slightly from last year but those to Japan and China were down nearly 17 percent.

Exports of Egyptian cotton.- Exports of Egyptian cotton were 201,000 bales of 478 pounds in December and 154,000 in January as compared with 179,000 in December and 151,000 in January 1934, according to official estimates. The 10-year average for December is 190,000 bales and for January 151,000. For the 6 months ended January 31, exports from Egypt aggregated 1,055,000 bales, which was slightly less than in 1933-34 but an increase of 15 percent over 1934-35. Shipments to the United Kingdom increased nearly 40 percent over the same period last year and were above the 10-year average. Exports to Germany were 92,000 bales as compared with 50,000 last year and the 10-year average of 55,000. Exports to Italy declined nearly 27 percent and those to Japan by nearly 50 percent from 1934-35, although in both cases they were above the 10-year average.

The Textile Situation

United States .- Domestic cotton consumption in December is reported by the Bureau of the Census at about 498,000 running bales. This is 2 percent less than consumption in November, but nearly 20 percent greater than consumption in December 1934 and the largest consumption for the month since 1928. Consumption in January amounted to about 591,000 bales which was nearly 8 percent greater than last year, and the highest for the month since 1929. Consumption for the 6 months ended January 31 of 3,007,000 bales is the highest since the same 6-month period ended January 31, 1930. Mill activity during both December and January and the first half of February has been at a level about equal to the 1922 to 1927 average, according to the New York Cotton Exchange. This is true in spite of the shortening of the work week since 1933 from 5-1/2 to 5 days. Mill activity has shown very little recession since January 6, in spite of the fact that readjustment of goods prices to the removal of the processing tax and uncertainties concerning the imposition of new taxes have severely curtailed purchases of yarn and finished goods. Manufacturers are apparently not disturbed by some reduction of orders and some accumulation of stocks because of the belief that continued improvement in business activity and employment, the continuance of government expenditures and the depleting of retailer's stocks will force a resumption of large purchases from mills.

Europe 1/

The final month of 1935 and January of 1936 was characterized by continued slight improvement in the cotton textile situation in France, Belgium, Czechoslovakia, Austria, Poland and some of the minor manufacturing countries in southeastern Europe, but somewhat quieter tendencies prevailed in England and unsatisfactory conditions persisted in Italy. The restriction in Italian manufacturing and exports appears to have been one direct cause of the reported improvement in the situation in Czechoslovakia, Poland, southeastern Europe and, to some extent, Austria. Southeastern Europe has been an important market for Italian yarns and cloth, and with Italy dropping out, demand has been shifting to offerings from other countries and partly, also, toward home production. The position in Germany has remained substantially unchanged.

Mill business.- European mill sales of cotton yarn and cotton fabrics have shown marked resistance in the case of France and Belgium, to the normally quieter tendencies during December, and continued fair through January. However, sales were somewhat reduced in Great Britain, where export orders for piece goods played a relatively more important role than home demand; British spinners of coarse American yarns continued to receive orders in favorable volume, but spinners of fine yarns, particularly those using Egyptian, experienced a notable curtailment in new orders.

Substantially unchanged conditions in Germany were accompanied, nevertheless, by some further tendency toward slackening new business in both spinning and weaving mills. In Czechoslovakia, a slight further improvement in business was reported by the still depressed industry, but there appear to be scant hopes for an expansion of this movement, which is largely a result of increased demand from southeastern Europe incident to reduced yarn and fabrics supplies from Italy. It is understood that the Czechoslovakian National Bank and the Government have felt it necessary (for foreign exchange considerations mentioned in more detail under Czechoslovakia) to adopt measures which will prevent further expansion in Czechoslovakian exports of cotton yarn to Austria and southeastern European countries.

A considerable further revival in mill business was reported from Austria in December, where orders have now been booked for several months ahead. These new orders are largely a result of increased Rumanian buying interest, notably for cotton yarn, but there has also been increased business to some other south-European countries which are lacking the usual supplies from Italy. Poland has likewise profited somewhat by the disappearance of Italy from the yarn and cloth export markets; it is reported that the Lodz industry has been able to sell appreciable quantities in Egypt. The home industry in Hungary and Yugoslavia is very active, and the latter reports plans to erect new cotton spinning mills in Slovenia.

1/ Based largely upon a report from Agricultural Attache Lloyd V. Steere, at Berlin.

Greece has also experienced increased export demand because of the discontinuance of Italian offers, and is striving to participate in the generally improved export possibilities. It appears, however, that the industry is hampered by restrictive measures similar to those in Czechoslovakia, since the increased importation of raw cotton demanded by the Greek mills had not as yet been permitted in December by the authorities, despite the industry's undertaking to purchase all of the domestic cotton crop.

No information, statistical or otherwise, is now available from Italy directly, but trade reports from outside the country indicate that the cotton mill situation in Italy has become worse, and sales as well as activity in the mills continue to be further restricted.

Mill activity.- Cotton mill activity in the chief European countries in December and January has shown no significant change as compared with October and November, and was generally in line with the developments in mill business. Great Britain reported continuance of the high level of mill activity in the coarse American spinning section, but slight declines were evident in the fine American and Egyptian spinning branches. Weaving mills have maintained fairly well the previous improved level of occupation, but in some districts there were signs of looms running out of work. Operations in France were well maintained throughout the whole of the month of December, partly contrary to seasonal tendencies. Spinning mill activity in October, which is the last month for which statistics are available, was more than 20 percent above October 1934 levels, but weaving mill activity was below last year. A slight expansion in mill operations has occurred in Czechoslovakia as well as Poland, and in Austria the present activity was perhaps 25 percent in excess of single shift capacity. This was approximately 20 percent above the already favorable level of 1934. Weaving mill activity in Austria was running 10 percent above last year. Statistics for Germany are not available for recent months, but it appears that spinning as well as weaving mill activity, while probably slightly curtailed during the winter, have maintained satisfactory levels. Italian mill activity, as already indicated, has been further curtailed. A slight improvement in mill activity has occured in Belgium, Spain, and Holland, according to French press reports.

Raw cotton buying.- The slightly downward tendency of raw cotton prices throughout December, and the political uncertainty in Europe and apprehension regarding the outturn of the United States Supreme Court decision on the Agricultural Adjustment Act and the Bankhead Act, have made for cautious buying of raw cotton in most European countries. Trade reports have stated that the possibility of gradual and significant releases of United States Government cotton also contributed to the cautious attitude of spinners. At the present time the shortage of desirable qualities of American cotton is being felt abroad as well as in the United States. Liverpool reports to the New York Cotton Exchange indicate that southern shippers have been trying to arrange cancellations of February-March sailings of Middling 15/16 and above. In Germany, buying interest continued to be directed increasingly toward American cotton, since cotton obtainable under compensation or clearing arrangements is quoted to German buyers at excessive premiums over "devisen" cotton which

makes American cotton very attractive if foreign exchange can be obtained for its purchase. While, as has been pointed out in the discussion of exports, the last few months have seen greatly increased takings of American cotton, the calendar year 1935 was characterized by a tremendous increase in the importance of foreign cotton relative to American. In 1935 imports of cotton other than American constituted approximately 70 percent of all imports into Germany, as compared with 45 percent during 1934 and 20 percent during 1933. Up until the last 2 years anywhere from 80 to nearly 100 percent of Germany's cotton imports have come from the United States. The unfavorable foreign exchange situation and resulting barter arrangements have been responsible for this shift. Brazil, formerly an insignificant source of Germany's cotton imports, was a close second to the United States during 1935.

Great Britain.- Somewhat less favorable developments in the cotton yarn and cloth markets were reported from Great Britain during December and January. It was indicated that sales and mill activity in the coarse American spinning section continued favorable, but that there has been a slackening home demand for fine American as well as Egyptian yarns and for fabrics therefrom. Export demand for the latter seems to have continued fair for shipments to many parts of the world, but complaints continue to be received regarding business to China and India.

Somewhat increased sales of Egyptian yarn to Germany and Austria were reported at the beginning of January. The increased demand from Austria is apparently due to the recent yarn export quota measures introduced by Czechoslovakia.

Mill activity in the spinning section was generally well maintained, but in some districts there have been signs of looms running out of orders.

Germany.- The cotton textile situation in Germany showed no significant change in December as compared with the previous 2 months, although some slackening in mill sales, notably of cloth, as well as in mill activity seems to have occurred. Sales of cotton yarn have apparently held up well and are even reported to have increased slightly in places at the beginning of December in anticipation of the holiday season. The industry continues to experience raw material difficulty, notably from the standpoint of quality and price, but acute shortage has not been actually encountered to date. This appears to have been escaped through the decline in sales, both wholesale and retail, during the past several months. Textile retail sales in those months showed a considerable decline in volume as compared with last year, when there was an abnormal volume of buying because of the expectation of price increases and quality deterioration. Pre-holiday retail sales in December, on the other hand, proved quite satisfactory and reduced retailer stocks.

The influence of the recent change in the regulation of mill manufacturing 2/ (which became effective January 1) upon the German cotton textile industry is difficult to ascertain. The industry has been working for

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2/ See our Special Report No. 95 - Germany: Spinning Material Law.

over a year at a reduced rate of operation prescribed by the Government. This new set of regulations does away with working time restrictions, and places control of the industry's rate of activity on a basis of raw material supply. The individual cotton manufacturers have been allotted basic quotas based on the average monthly quantity of cotton used between January 1, 1933 and June 30, 1934. The working quota is a percentage of the basic quota, and is assigned according to the availability of raw material. The basic cotton quota is reduced in cases where it seems "more proper" to the control board that the manufacturer should use a larger quantity of synthetic or staple fiber. Manufacturers generally do not seem to have been disappointed by the change, since it gives them somewhat more flexibility of disposition, enabling shifts in the utilization of the quarterly manufacturing quotas which have been introduced.

Czechoslovakia.- Conditions in the cotton textile industry of Czechoslovakia improved slightly during December, mainly as a result of increased export demand from southeast European countries which are now cut off from the customary Italian sources of supply. The prospect of increased export business which this movement opened, however, has been definitely impaired by the Czechoslovakian Government's introduction (beginning with January 1) of export quotas for cotton yarns of all kinds to the four clearing countries, Rumania, Yugoslavia, Austria, and Bulgaria. The total monthly contingent for these four countries is to be $340,000 as compared with monthly average exports worth $520,000 in the third quarter of 1935.

The decision to restrict and to prevent further expansion of cotton yarn exports to these countries is based upon the view that the raw material, out of which the yarns are manufactured, must be paid for by Czechoslovakia with foreign exchange, although she can collect payments for the yarns exported to these clearing countries only according to the provisions of the clearing agreements. 3/ This measure, although probably necessitated by the currency situation, discloses the difficulties in inter-European economic relations. The management of currencies, so as to prevent current adjustment to their equilibrium levels, adds more and more to the existing restrictions on the movement of goods across borders and necessitates further drastic governmental action, all of which tends to impair both current business and future prospects of many individual lines of industry. The development in Czechoslovakia, while probably of no great significance for the European cotton industry as a whole, may lead to some additional shifts in sources of supply for the Balkan countries.

As a result of the somewhat improved flow of new orders, activity in the Czechoslovakian cotton mills increased slightly in November and December.

3/ It is claimed that from 75 to 80 percent of the value of yarn exports consists of raw material costs which must be paid for by Czechoslovakia in foreign exchange, while she can collect the prices realized for the yarn exported to Austria and southeastern European countries only after considerable delay and in the form of imported goods, that is, through the channels of the existing clearing arrangements.

Austria.- The situation in the Austrian cotton textile industry, notably in the spinning branch, was very favorable in December. Spinning mill activity was about 125 percent of single shift capacity, or 20 percent more than at that time last year. Weaving mills were also well occupied. The general improvement in the booking of new orders, particularly for yarns, was largely due to much increased demand for cotton yarn from Rumania. Buying from other southeastern European countries, under the influence of the Italian withdrawal, also contributed to the increase in orders.

The recent decision of the Czechoslovakian Government to contingent the exportation of cotton yarns to the clearing countries, including Austria, raised the question of a reorientation of Austrian imports of Egyptian yarns which used to come largely from Czechoslovakia. It is reported that both England and Switzerland were able to sell Egyptian yarn to Austria in increasing quantities at the beginning of January. It is furthermore reported that Austria is considering the expansion of home production of Egyptian yarns, which, however, may necessitate increased investment in machinery since many existing spindles have become obsolete for this purpose.

France.- Generally speaking, the improved conditions that prevailed in the French cotton textile industry in November were well maintained in December and January. Both bookings of new orders for spinners and weavers and mill activity have held up well, contrary to usual seasonal tendencies. Spinning mill activity in the month of October, the last month reported, was 20 percent above October 1934, but weaving mill activity was below last year.

New orders received by spinners during the first half of December were of favorable volume in all sections of the textile regions, but business in Normandy and eastern regions declined in the second half, when the holiday season set in. Roubaix-Tourcoing, on the other hand, continued to report a favorable volume of yarn sales up to the end of the month. At the end of December, there was also a revival in cloth sales, which, contrary to yarns, had been quiet in the first half. December raw material purchases by the industry were of moderate volume, and cautiousness prevailed. There has been considerable recent buying, however, by Alsatian spinning mills.

Italy.- Neither statistics nor general information on the situation of the cotton textile industry has been obtainable from Italy since the outbreak of hostilities in East Africa. It is indicated, however, by competent trade observers in the surrounding countries that the position of the cotton industry is unsatisfactory and that operations have been severely curtailed incident to current shortage of raw material and necessity of economizing what is still available. For the time being, Italian exporters have lost their business and other countries have taken Italy's place in supplying southeastern Europe, as well as other regions, with cotton yarn and fabrics. A French press report indicated on December 14 that Italian cotton mill activity was then only 65 percent of normal.

Southeastern Europe.- The domestic textile industries in southeastern European countries were well occupied during December and January, particularly the spinning mills, which have benefited from the lack of Italian yarn supplies. In Yugoslavia, consideration is being given to the establishment of new spinning mills in Slovenia, and in Greece increased export possibilities have given spinners opportunities to add to unfilled orders. The authorities, however, appear reluctant to issue permits for the importation of additional raw cotton, according to newspaper reports, and seem to have impaired the chances of Greece taking part in the current increase in export business available. Other information indicated that increased importation of foreign cotton has been in principle approved by the Government, but that the absence of executive regulations was still preventing in practice actual importation at the end of the year.

Japan 4/- The Japan Cotton Spinners' Association reported that member mills produced 295,000 bales of cotton yarn during December 1935, compared with 296,000 in the preceding month and 320,000 in December 1934. For the calendar year 1935, yarn production totaled 3,562,000 bales (of 400 pounds each), compared with 3,473,000 in 1934.

Cotton cloth exports during December amounted to 209,000,000 square yards, according to the Japan Cotton Merchants' Union. Preliminary returns show total exports for the calendar year 1935 as 2,711,000,000 square yards, an increase of 143,000,000 over 1934 shipments.

The following comment on the cotton yarn trade outlook in Japan is from the January 31, 1936, issue of The Textile Weekly, published in Manchester, England:

"A forecast which has been made concerning the outlook for cotton yarn in Japan this year is marked by its pessimistic tone. The year is expected to be a difficult one. A large number of new spindles (estimated at 1,000,000) are waiting to be installed, so that, despite curtailment in production, monthly output may top 300,000 bales. On the other hand, domestic consumption will, it is thought, not exceed that of 1935; in addition there is the competition of rayon and staple fiber, prices of which are relatively low, to be reckoned with. Moreover, in view of the increasing tendency throughout the world in the direction of economic nationalization, maintenance of the large export trade of 1935 is likely to prove difficult. It is therefore felt that the cotton yarn market will continue to be depressed."

Exports of American cotton to Japan in January were 156,000 bales as compared with 149,000 last year and 1,060,000 for the 6 months ended January 31 as compared with 1,059,000 bales for the same period last year. In view of the outlook for textile activity a substantial increase in the consumption of American cotton does not seem likely. A further factor unfavorable to American cotton is the large Indian crop which has only recently begun to move in large volume. It is the opinion of the trade that unless considerable quantities of cotton held by the United States Government are released, it seems likely that the price relationship between Indian and

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4/ Based on radiograms received January 29 from Commercial Attache Frank S. Williams, Tokyo.

American during the next few months will be such as to favor the use of Indian cotton. It is also believed that Japan is tending more and more to distribute her cotton purchases so as to influence trade and tariff policies in countries which produce raw cotton but import cotton textiles. It is reported that decreased Japanese purchases of Egyptian cotton during the last few months represent, in part at least, a deliberate attempt to bring about an early completion of an Egypto-Japanese trade agreement. At the same time Japan is reported to be buying cotton from a large number of minor producing countries with the idea of discouraging prospective increases in their duties on Japanese textiles.

China 5/.- A seasonal increase in textile demand following the Chinese new year slack period is beginning, and a somewhat improved general tone in the market is evident following an improvement in the currency situation in China, but the next few weeks will show whether there is any significant permanent improvement in demand.

Arrivals of Chinese cotton at consuming centers have been materially larger than for the same time last year despite the smaller supply. Deliveries to mills of Chinese cotton have been nearly a third larger than for the same period a year ago. It is evident that stocks will be reduced to a low level as the season draws to a close.

Consumption of all cotton by spinning mills for the season to date is materially below that of last year, with decreases shown principally in American and Indian; but as available Chinese cotton has been proportionally used up faster this season from a shorter supply, it is expected that the demand for foreign cotton will strengthen some in the coming months and that total consumption will approximate that of last year. Since stocks are very low, imports for the season should equal those of last year.

Total mill consumption of all cotton will probably fall somewhat short of last year's consumption, which is a moderate offsetting factor. Japanese mills are operating about full time, while Chinese mills show an activity of approximately 75 percent.

Prices of Chinese cotton during the past month have advanced, while Indian has declined, thus bringing Indian into a more favorable position; and some commitments are expected, although present amounts ordered are small. American cotton declined to a smaller extent than Indian. Yarn prices did not keep pace with advance in Chinese cotton, but parity with relation to foreign cotton is somewhat better.

Piece goods imports for the season October to December declined to a third less in value than those of a similar period last year. Exports were also less, with net imports remaining nearly a million gold units smaller than for the period October to December 1934. Yarn exports showed a somewhat smaller decrease, not fully offsetting the decrease in piece goods imports providing import statistics are proportionally complete both years. Stocks of American cotton in Shanghai public warehouses on January 31 were only

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5/ Based partly on a radiogram from Acting Agricultural Commissioner Fred J. Rossiter on February 14 and February 24.

a little more than a fourth of those a year ago, 23,000 bales of 500 pounds as compared with 83,000 bales. Stocks of all cotton including Chinese were 33 percent less than a year ago. However, the large supply of Indian cotton may deflect a considerable part of the expected increase in the demand for imported cotton away from American.

Production, Acreage, and Crop Conditions

World.- Total production of all cotton in 1935-36 is now estimated at 26,000,000 bales of approximately 478 pounds net. With the American crop officially estimated at 10,734,000 bales, foreign production is placed at 15,266,000 bales. This is an increase of 1,280,000 bales or approximately 9 percent over the 1934-35 crop. Excluding the Russian crop, the estimated increase in foreign production is about 740,000 bales, or 6 percent. Considerable increases in production are anticipated in India, Egypt, and Russia and in some of the smaller producing countries such as Uganda, the Anglo-Egyptian Sudan, Bulgaria, Greece, and Nyasaland. Reports from Brazil indicate that present estimates of the crop in that country will likely be revised upward.

The first estimate of world acreage of 76,000,000 acres is largely accounted for by an increase in foreign acreage from 46,613,000 to 48,669,000 acres, or between 4 and 5 percent. Changes in acreage as compared with estimates for the same period last year are 25,025,000 as compared with 23,443,000, or an increase of 7 percent for India, 1,733,000 for Egypt as compared with 1,798,000, or a decrease of 4 percent, a slight increase for Russia, and large percentage increases for Greece, Bulgaria, Syria and Lebanon, Mexico, and Paraguay. Foreign acreage exclusive of Russia is about 5 percent above 1934-35 and 16 percent above the 10-year (1923-24 to 1932-33) average.

India. A cotton crop of more than 4,750,000 bales of 478 pounds from an area of 25,025,000 acres is expected in India this year, according to the latest official estimates. This production estimate represents an increase of about 21 percent over the revised estimate of 3,935,000 bales for the 1934-35 crop made at this time last year, and it is 18 percent above last season's unrevised final estimate of 4,023,000 bales from 23,830,000 acres. The average for the 5 years ended with the 1933-34 crop was 4,050,000 bales from 24,015,000 acres.

So far this season fairly good weather conditions and moderate insect damage seem to favor a comparatively high yield. If these conditions continue favorable, the final estimate may be slightly higher than the current estimate. Present official estimates represent an increase of 150,000 bales over our estimate of 4,600,000 bales released early in January and an increase of 1,682,000 acres or 7 percent over the revised corresponding estimate of acreage planted in 1934-35. Considerable interest attaches to the question of whether or not this anticipated increase of 750,000 bales as compared with last year and the average for the last 5 or 6 years will be accompanied by a significant increase in the quantity of the crop 7/8-inch or longer in staple length.

Soviet Russia .- Data for December 11 indicated that by that time cotton procurements were 4.6 percent in excess of the Cotton Procurement Plan. In a later speech, however, the Commissar of Agriculture of the Union stated that more than 33,000,000 pounds of cotton fiber had been procured this year. This would mean nearly 2,500,000 bales of ginned cotton. This represents an increase of 750,000 bales or more above the 1934-35 crop which has been estimated at from 1,670,000 to 1,750,000 bales of lint cotton.

In the last copy of Cotton Prospects released early in January it was stated that the Russian estimate of an outturn of 2,400,000 bales could only be realized providing a very heavy increase took place in yields. It was also stated that the early reports of procurements from the 1934-35 crop were subsequently scaled down roughly 200,000 bales. In the light of these considerations the Russian crop for 1935-36 was estimated at from 2,000,000 to 2,200,000 bales. The most recent report however, asserts that there has been a very large increase in cotton yields throughout Russia as a whole, and especially in Usbekistan. It is reported that Usbekistan, the most important cotton producing region of the Union has exceeded its processing plan by a considerable margin. One third of the total cotton production of Usbekistan in 1935 was produced in regions whose yields ranged from 300 to 400 pounds per acre according to the Commissar of Agriculture. Last year only one-fourth of all the regions of Usbekistan harvested such a yield. Yields above 400 pounds per acre were harvested in regions producing 24 percent of the crop as compared with only 7.5 percent in 1934. In spite of what seems to be an overly optimistic estimate as to yields it is believed advisable to assume that the Russian crop will be somewhere between 2,000,000 and 2,500,000 bales, with the likelihood that the final figure will be nearer to the upper than to the lower limits of the range.

Egypt .- The official estimate of the 1935-36 Egyptian crop remains unchanged at 1,750,000 bales of 478 pounds. The movement of the Egyptian crop into trade channels has been very rapid this year. During the first 4 months of the season a record was established both for arrivals at Alexandria and for exports. Ginnings from September 1 to February 1 amounted to 1,476,000 bales of 478 pounds as compared with 1,226,000 for the same period last year. Of this season's ginnings, 152,000 bales were of the Sakellaridis variety and 1,293,000 bales of other varieties, compared with 146,000 and 1,055,000 bales, respectively, during the corresponding period last season.

Other countries.- Latest reports place production in the Anglo-Egyptian Sudan at 240,000 bales as compared with 227,000 last year. This is an increase of 40,000 bales over the estimate released early in January. The prospective crop in Uganda is now placed at 255,000 bales as compared with 206,000 for last year.

Cotton, American and all kinds: Production, carry-over, supply, consumption, and exports, 1920-21 to date

Season beginning Aug. 1	American						
	Domestic exports from the United States	United States pro-duction	Carry-over beginning of season: In United States	Carry-over beginning of season: World	Total supply	Consumption: In United States	Consumption: World
	1,000 running bales	1,000 478 lb. bales net	1,000 running bales	1,000 running bales	1,000 mixed bales 1/	1,000 running bales	1,000 running bales
1920-21	5,745	13,429	3,278.9	2/6,338	19,767	4,677	10,035
1921-22	6,184	7,945	6,360.7	9,393	17,338	5,613	12,755
1922-23	4,823	9,755	2,664.9	5,162	14,917	6,322	12,665
1923-24	5,656	10,140	2,129.0	3,304	13,444	5,353	11,100
1924-25	8,005	13,630	1,439.4	2,705	16,335	5,917	13,270
1925-26	8,051	16,105	1,503.8	3,386	19,491	6,176	13,736
1926-27	10,927	17,978	3,413.6	5,495	23,473	6,880	15,777
1927-28	7,542	12,956	3,663.0	7,696	20,652	6,535	15,407
1928-29	8,044	14,477	2,425.6	5,114	19,591	6,778	15,066
1929-30	6,690	14,825	2,129.8	4,421	19,246	5,803	13,015
1930-31	6,760	13,932	4,321.7	6,287	20,219	5,084	10,901
1931-32	8,708	17,095	6,262.7	8,868	25,963	4,744	12,316
1932-33	8,419	13,001	9,580.5	12,960	25,961	6,004	14,171
1933-34	7,534	13,047	8,081.1	11,588	24,635	5,553	13,534
1934-35 3/	4,799	9,636	7,647.5	10,634	20,270	5,240	11,338
1935-36 3/		10,734	7,137.7	9,009	19,743		

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Cotton, American and all kinds: Production, carry-over, supply, consumption, and exports, 1920-21 to date - Cont'd.

Season beginning Aug. 1	All kinds					
	World production including China	Carry-over beginning of season: In United States	Carry-over beginning of season: World	Total supply	Consumption: In United States	Consumption: World
	1,000 478 lb. bales net	1,000 mixed bales 4/	1,000 mixed bales 4/	1,000 mixed bales 4/	1,000 running bales 5/	1,000 running bales
1920-21	21,007	3,563.2	6/11,185	32,192	4,893	17,600
1921-22	15,434	6,534.4	13,774	29,208	5,910	21,165
1922-23	19,262	2,831.5	9,636	28,898	6,666	22,142
1923-24	19,695	2,325.0	6,869	26,564	5,681	20,423
1924-25	24,930	1,555.5	6,002	30,932	6,193	23,308
1925-26	27,931	1,609.8	6,936	34,867	6,456	24,687
1926-27	28,417	3,542.6	9,484	37,901	7,190	26,138
1927-28	24,031	3,762.4	11,657	35,688	6,834	25,540
1928-29	26,763	2,536.6	9,657	36,420	7,091	25,872
1929-30	26,671	2,312.0	9,076	35,747	6,106	25,201
1930-31	26,121	4,530.4	11,281	37,402	5,263	22,481
1931-32	27,594	6,370.0	13,634	41,228	4,866	22,319
1932-33	23,938	9,677.8	16,954	40,892	6,137	24,353
1933-34	26,569	8,164.6	16,035	42,604	5,700	25,111
1934-35 3/	23,622	7,743.7	16,069	39,691	5,360	25,763
1935-36 3/	25,600	7,208.6	13,624	39,224		

Division of Statistical and Historical Research, Bureau of Agricultural Economics. Exports, Carry-over in United States and consumption in United States of American cotton from Bureau of the Census. Production of American from Crop Reporting Board. World carry-over of American and all kinds from official and trade sources. Supply is production plus carry-over. Consumption in world from International Federation of Master Cotton Spinners' and Manufacturers' Association. World production are estimates of this division based on official and reliable trade sources and International Institute of Agriculture.

1/ Production in bales of 478 pounds net, carry-over in running bales.
2/ Estimates of New York Cotton Exchange.
3/ Preliminary.
4/ American in running bales, all other in bales of approximately 478 pounds.
5/ American in running bales; small amount of foreign in bales of approximately 478 pounds.
6/ Estimates of Merchant's National Bank of Boston.